

Unit 01

CONCEPTS OF A BUSINESS AND DIFFERENT TYPES OF ORGANIZATIONS

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Intended Learning Outcomes

- Explain meaning of organization and business
- Explain concepts of business
- Assess different types of organizations

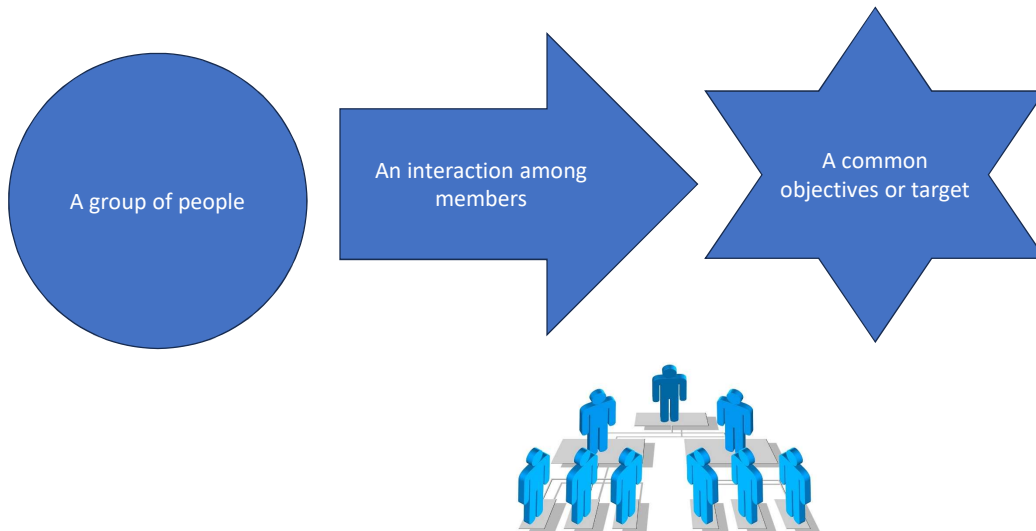


Concepts of a Business



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What is an organization?



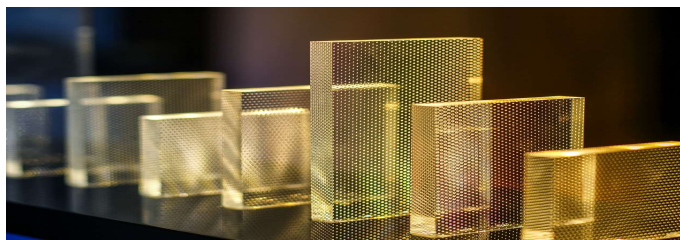
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Classification of organizations

Bases	Classification
Objective	Profit oriented, Non profit oriented
Product	Manufacturing, service
Ownership	Private, public, government
Markets	Domestic, Multinational
Scale	Tall organization, Flat
Relationship	Formal organization, Informal
Function	Marketing, Finance, Operations

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Building the concept of business



Needs and wants

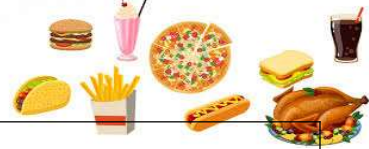
Needs are the things that people require to survive.

- It is defined as the “felt of deprivation of some basic satisfaction”

Examples: Food, clothes, house, education, health, communication, transport, safety

Wants are different ways of satisfying human needs.

Examples: Food – Rice, Noodles, Hoppers, String hoppers



Needs	Wants
Food	
Clothes	
Housing	
Transportation	
Education	

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Comparison of needs and wants

Basis of comparison	Needs	Wants
Nature	Limited	Unlimited
What is it	Something you must have	Something you wish to have
Represents	Necessity	Desire
Survival	Essential for survival	Non-essential for survival
Change	May remain constant over time	May change over time
Non-fulfillment	May result in onset of disease or even death	May result in disappointment

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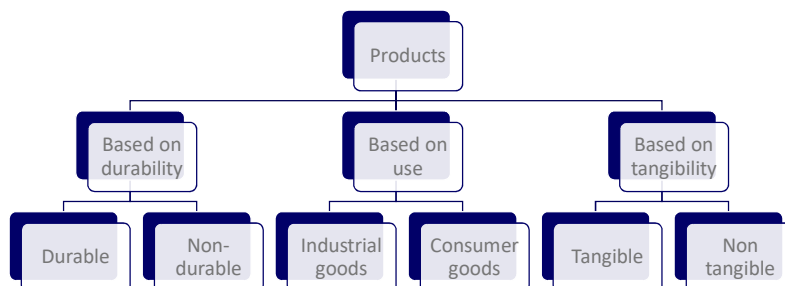
Abraham Maslow's hierarchy of needs



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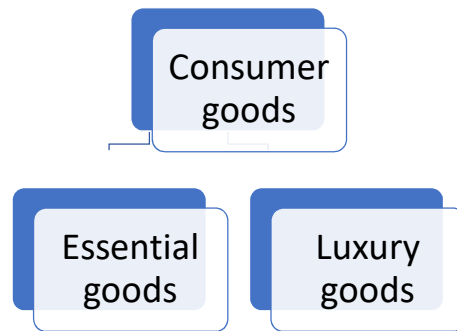
Product

- A product is the need-satisfying offering of an organization.
- It may appear in the form of a product, service, idea, person, or place.



Consumer goods

Consumer goods are goods that people use for their final consumption. These goods will be finished once they are consumed.



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Consumer goods classification based on the consumers experience

- **Convenience goods**- These are the goods which are purchased frequently from the groceries. People usually don't spend much time and effort when they buy these goods. The prices of these goods are relatively lower. Ex: Soap, toothpaste, newspaper
- **Shopping goods**- These are the goods in which people compare the price, quality, suitability and the brand. People spend considerable time when they buy these goods. Advertisements are generally used to sell these goods. These goods are distributed using selected distributing strategies. Ex: Clothes, furniture
- **Specialty Goods**- People make an effort to buy specialty goods. The prices are very high. There are no substitutes for these goods looking at the consumer's angle. Consumer can be satisfied only after consuming the specialty good they want. Ex: Motor vehicles, computers, Jewellery
- **Unsought goods** – Even though these goods are available in the market, consumer is not aware about it. These goods are in the unsought nature only in the initial stage of their product launch. After an extensive advertising, these goods will also turn into convenience and shopping goods. Ex: Newly introduced life insurance policies, newly published books

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Industrial goods

These goods are used to produce other goods. Ex: Purchase of tires, tubes and batteries by a motor vehicle manufacturer.

Three main parts of an industrial good

1. Material and parts Ex: Plastic, metal and spare parts
2. Capital items Ex: Machines and equipment
3. Supplies & Business Services Ex: Electricity, gas, service



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Comparison of consumer and industrial goods

Consumer goods	Industrial goods
These goods are purchased by final consumers.	These goods are purchased by businessmen.
They are used for the final consumption.	They are used for making another product.
A direct demand.	An indirect demand.
A shorter life cycles.	A longer life cycles.
The number of times they are demanded are high.	They are demanded few times.
There are a lot of intermediaries to sell these goods	Comparatively smaller number of intermediaries

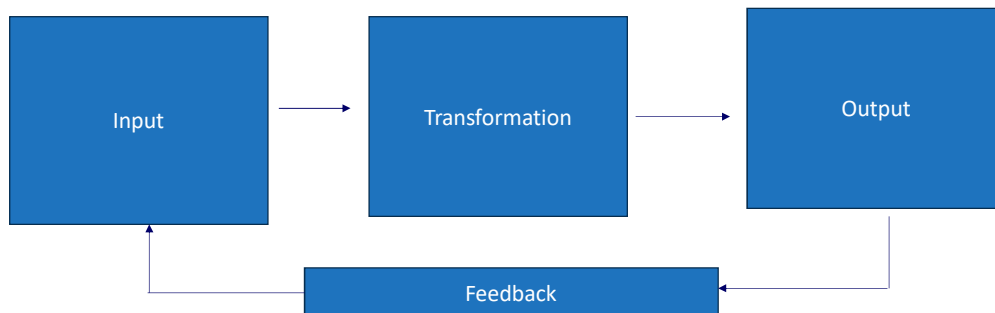
Good Vs. Services

A good is any physical item that provides utility and fulfills the consumer's needs. Services are the intangible and non-physical part of the economy that would also satisfy human needs.

Basis of comparison	Goods	Service
Nature	Tangible	Intangible
Transfer of ownership	Possible	Not possible
Separable	Goods can be separated from the seller	Services cannot be separated from the service provider
Storage	Goods can be stored	Services cannot be stored
Perishable	Not all goods are perishable	Services are perishable
Production and consumption	Goods have a significant time gap between production and consumption	Services are produced and consumed together

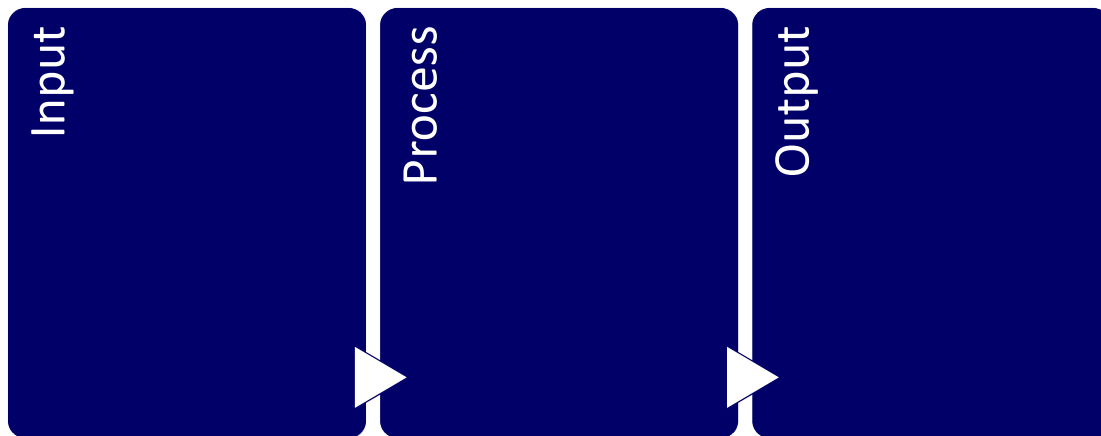
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Production Process



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Production process of a garment factory



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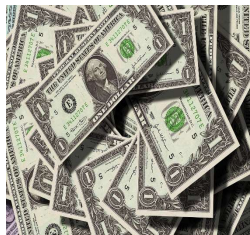
Resources

- Resources are an organization's assets and are thus the basic building blocks of the organization. EX: Land, Labour, Capital, Entrepreneurship, Information, Time, Knowledge

- Tangible Resources - Intangible Resources

M7 classification of business resources

- +Man
- +Material
- +Money
- +Machine
- +Market
- +Method
- +Management



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Market

- A market is any condition that facilitates the exchange of goods and services. The parties involved are usually buyers and sellers.
- The market may be physical, like a retail outlet, where people meet face-to-face, or virtual, like an online market, where there is no physical presence or contact between buyers and sellers.



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What is a business?

- A business is defined as an organization/entity that makes goods to satisfy human needs and wants.
- All the activities related to the production, distribution, and selling of goods and services with a profit motive to satisfy human needs and wants can generally be defined as business.



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Characteristics of business

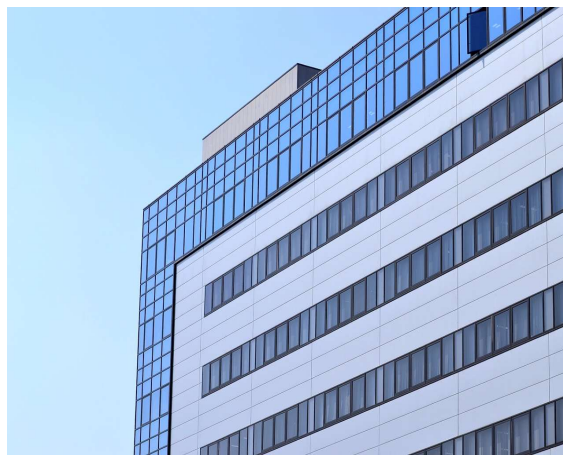
- **An economic activity**
- **Exchange or selling takes place**
- **Transaction of goods and services takes place**
- **Continuous transactions will take place**
- **Motivated by profit**
- **Has a risk**
- **Creates wants**



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The goals of the business.

- Survival in the market
- Profit maximization
- Sales Maximization
- Increasing market share
- Increasing consumer satisfaction
- Maximizing the market value of shares
- Personal satisfaction of businessmen
- Social and community welfare



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Business classification criteria

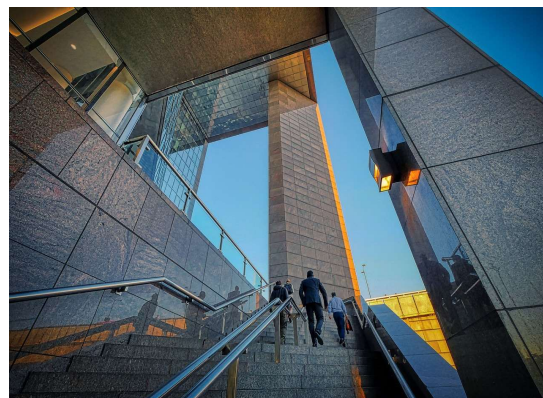
- According to the nature of production: Primary, Secondary, Tertiary
- According to ownership: Private sector, Public sector
- According to the aims / objectives: Profit motive, Non profit motive
- According to scale: Small and medium, Large scale
- According to production sector: Agriculture, Industry, Services



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The contribution of businesses for the existence of an economy

- Satisfying wants that are complex and changing
- Innovation
- Generating employment
- National economic development
- Generating tax revenues for the government
- Improving of living standard



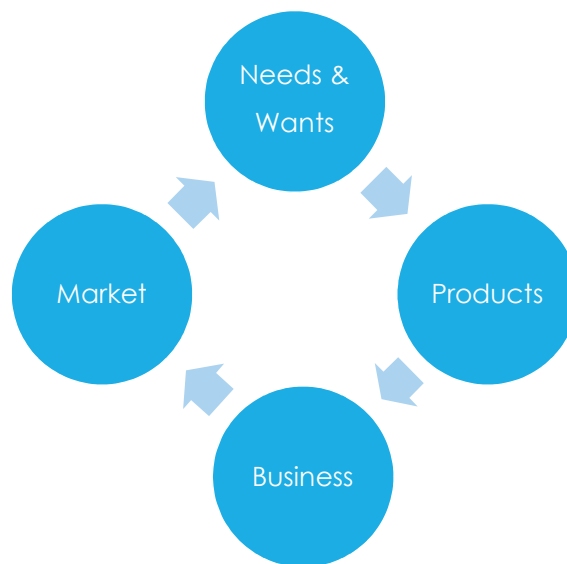
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Business Trends

- Globalization
- Technological advances
- High business competitiveness
- Powerful customers
- Environmental issues and business ethics
- Remote and distributed work



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A horizontal sequence of seven illustrations showing the progression of human evolution. It begins on the left with a blue ape-like creature in a crouching position. The next three figures are upright, bearded men in blue loincloths, each holding a spear, representing increasing stages of early human development. The sixth figure is a modern man in a blue suit and tie, walking upright and carrying a brown briefcase. The final figure on the right is a white and blue humanoid robot, also walking upright, representing the culmination of technological evolution.

- A self-sufficient economy is when a country is completely independent, produces its own goods, and does not import goods or services. In the past, there was a self-sufficient economic system.
- Direct production can be identified in self-sufficient economies as they produce whatever they want by themselves.
- Later on, people used to focus on the products that they best produce with the resources they already have. As a result of this, “personal specialization” could be seen. When people tend to focus on specialized production, a surplus of production was emerged. This production surplus was identified as the starting point of business as it caused the barter system.



Specialization

The process of concentrating on and becoming expert in a particular subject or skill. Specialization has four types.

- Personal specialization: A person engage in a specific task. Ex: Lawyer, Carpenter
- Organizational specialization: An organization engaged in a specific task. Ex: A garment factory
- Regional specialization: A specific area being specialized for a certain product. Ex: Rathnapura gems
- National specialization: A country showing a trend for a specific product. Ex: Sri Lanka tea



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Job specialization

- Job specialization is a process that occurs when employees gain knowledge, education and experience in a specific area of expertise. The importance of job specialization in the modern-day workforce is that it helps to fulfill the need for skilled workers.

Advantages of job specialization

1. Since the worker is executing a specific task for a long time, he will enhance his skills and further it will enable the worker to develop new skills.
2. Time waste is minimum since the worker is not shifting from one job to another.
3. Productivity of the production activities will increase.
4. Worker can engage in activities that he can perform better.



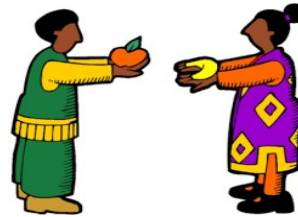
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Barter system

Barter is an act of exchanging goods or services between two or more parties without the use of money. The barter system is identified as the first stage of the evolution of the business.

Drawbacks of barter system

1. Lack of double coincidence of wants.
2. Lack of a common measure of value.
3. Indivisibility of certain goods.
4. Difficulty in making deferred payments.
5. Difficulty in storing value.



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The usage of money

Money is a medium of exchange.

Evolution of money

1. Collectibles (Commodity money): Ex: shells, metals, beads, etc.
2. Metallic Money: Ex: Gold, Silver, Copper
3. Perfect money- Use of gold coins
4. Notes and coins/ bank money- The scarce nature of metals has resulted in the use of notes and coins with the governments official emblem. The use of cheque evolved thereafter.
5. Use of electronic money- Apple Pay and PayPal.
6. Virtual (programmable money): Ex: Bitcoin



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Features of a good money

1. There should be a common acceptance
2. Difficulty to counterfeit
3. Easy to carry
4. Made out of scarce material
5. Divisibility
6. Easy to recognize
7. Stability of the value
8. Issued by government



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The main stages of the historical evolution of business

1. Exchange of goods/ Trade:

- The excess products are exchanged with the other products.
- In the past, there was a self-sufficient economy in which people produced whatever the products they wanted. There we could see direct production. The specialization has resulted in exchange of the excess products. As a result of that, barter system started. Trade started with the barter system or else indirect production.

2. The use of money:

The use of money in the exchange of goods due to the difficulties in the barter system. Hence, money acted as the medium of exchange.

3. Industrial revolution:

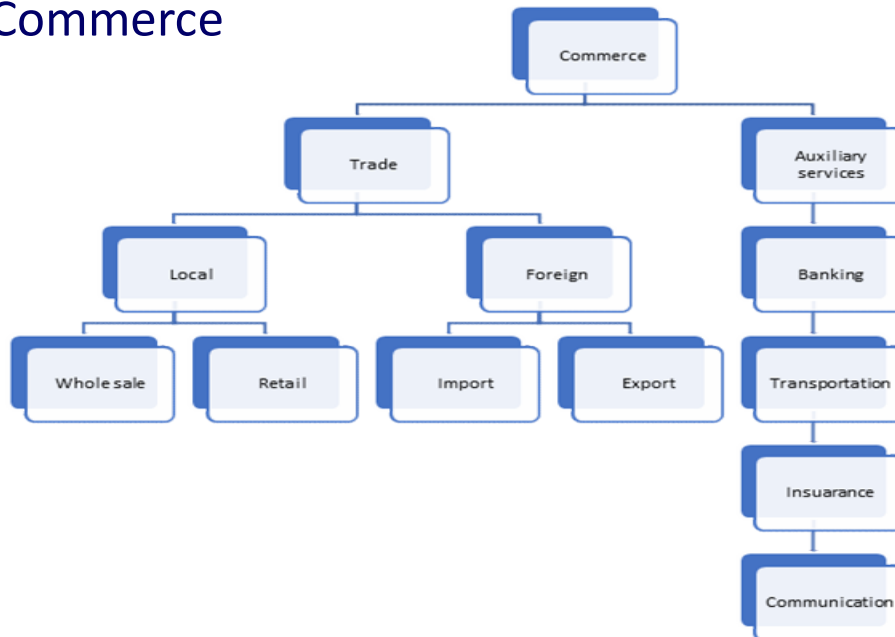
The revolution happened in Europe's industrial sector during the time of 1700- 1830 increased the number of innovations and the production. Industrial revolution resulted in the large-scale production.

4. E-Commerce:

The use of internet increased the production and trade than ever before. Previously, the trade which was limited only to a specific boundary could

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Commerce



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Future direction of a business

Vision: Vision describes what the organization hopes to become in future. It is the desired or intended future state of an organization

Mission: It describes the reasons for existence. It describes the organization

Characteristics of mission statement

- Defines current business activities
- Highlights boundaries of current business
- Conveys

Who we are

What we do

Where we are now

Values and culture



Sampath Bank vision and mission

"To be the leader in transforming lives by unlocking financial potential with innovation, integrity, and empathy, while nurturing financial well-being, sustainable growth, and economic prosperity"- Vision

"Empower dreams and enrich lives"- Mission



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Objective: It is a measure of the progress that is needed to get to the destination.

Specific	S	Is it can be well understood by those who are involved in?
Measurable	M	Is it quantified or at least suggest an indicator of progress?
Attainable	A	Is the goal attainable or feasible given the resources available?
Relevant	R	Does the goal align with, support, or advance the organization's vision, mission, values, principles, and strategies?
Time-based	T	Does the goal have a target date for completion



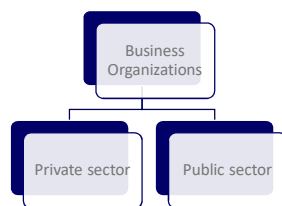
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Types of organizations



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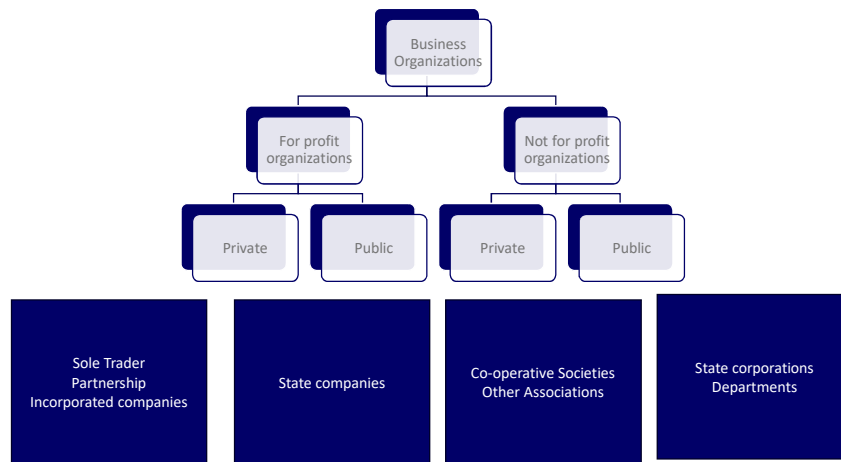
Classification of business organizations



Partnerships
Sole Proprietorships
Incorporated Companies
Joint ventures
Franchise
Co-operative Societies
Other Associations

Businesses under the
Central Government,
Provincial Councils
and Local Government
Institutions.

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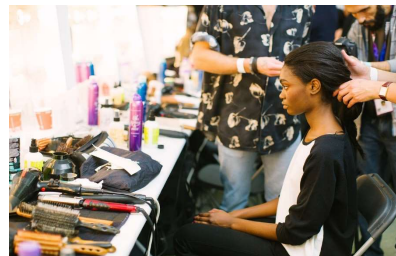


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Sole Proprietorship

Sole proprietorship is a form of business organization which is owned, managed and controlled by an individual who is the recipient of all profits and bearer of all risks.

- Capital is provided by a single person
- Profits or losses born alone
- Unlimited liability of the owner
- No legal personality
- No continued existence
- Not mandatory to register



Advantages and disadvantages of sole proprietorship

Advantages	Disadvantages
Convenient to start	Unlimited liability of the owner
All the profits belong to the owner	Difficulties in raising capital
Privacy of the business information is secured	No continuous existence
Ability to use own skills at the best	No legal personality
Independent decision making	Individual decision of the owner can be unsuccessful

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Registration of sole trader business

If a sole proprietorship is conducted in a different name other than the full name of its owner, it is mandatory to register the name of the business.

This is only a registration of the business name and hence will not provide a legal personality for the business.

Legal procedure of registering a sole proprietorship

- Obtain the relevant application form from the respective Divisional Secretariat office.
- Handing over the certified report of the Grama Niladharee and the duly completed application form along with the registration fee to the Divisional Secretary.
- After considering above documents, the Divisional Secretary will issue the Certificate of Registration of Business Name. It is required to display this certificate at the business place.

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Advantages of registering the business name

- Provides an identity and recognition
- Provides an ownership of the business name
- Provides a qualification to obtain incentives given by the government
- Easy to obtain loans



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Partnerships

The relationship among persons conducting a business in common with an objective to earn profit is known as a partnership. The Partnership Ordinance of 1890 affects partnerships.

- Number of members in the partnership (1-20 members)
- Partnership agreement
- Unlimited liability of partners
- Not mandatory to register a partnership
- No separate legal identity
- No continued existence



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Partnership agreement

- Name of the partnership
- Objective of the partnership
- Names and addresses of partners
- Areas of operations of the partnerships
- How the partners should contribute the capital
- How to share profits or losses
- Whether to pay interest on capital
- Particulars about admission of a new partner
- Particulars about the rights and duties of a partners
- Particulars about the dissolution of the partnership
- Whether to pay salaries



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Section 24 of the 1890 partnership ordinance

- Partners must contribute capital equally
- Profits and losses should be shared equally
- No interest on capital should be paid
- No salaries be paid
- All the partners must participate in the business
- No interest on drawings be charged

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Types of partners

- General/Active partners
- Inactive/sleeping partners
- Silent partner
- Secret partner
- Nominal partner
- Quasi partner
- Limited partner



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Rights and duties of partners

Rights of a partner	Duties of a partner
Right to receive a share of profits as agreed	Contribute to capital
Right to participate in business activities	Share profits and losses as agreed
Right to enter into transaction on behalf of the partnership	Should not receive secret profits from the business
Right to recruit employees on behalf of the partnership	Should not involve in competitive business
Right to reimburse any expenditure incurred on behalf of partnership	Should not harm the goodwill of the partnership
Right to inspect books of account and other documents of partnership	Should not use partnership name for personal purposes

Advantages and disadvantages of partnership

Advantages	Disadvantages
Convenient to commence	Unlimited liability
Can raise more capital	Profit shared among partners
Can utilize different skills of partners	Conflicts among partners
Shared liability among partners	No continued existence
Can take collective decisions	No legal personality

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Joint venture

An unsystematic entrepreneurial agreement between two or more people can be considered as a joint venture. Joint ventures are formed to engage in specific activities and only for a very short period of time.

- Two or more people engage
- No specific statutory laws applicable
- Very short term
- No legal personality
- Unlimited liability
- Accounting and auditing is not a must
- No requirement for registration



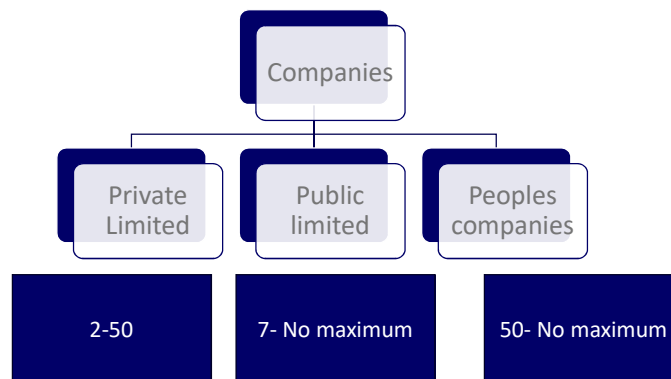
Comparison of partnerships and Sole Trader

	Partnership	Sole trader
Capital	By partners	By the owner
Laws applicable	1890 partnership ordinance	No special law
Legal personality	No legal personality	No legal personality
Registration	Not compulsory	Not compulsory
Liability	Unlimited	Unlimited
Accounting and Auditing	Not compulsory	Not compulsory
Decision making	By partners collectively	By the owner
Dissolution	By partners	By the owner
Going concern	No going concern	No going concern

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Incorporated companies

A firm which is registered under the Companies Act No. 07 of 2007, with a legal personality, can raise capital by issuing shares and the liability of the shareholders being limited, is an incorporated company.



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Private Limited company

- Minimum number of members is two and maximum is 50.
- The articles of association restricts the members to transfer their shares.
- It prohibits invite the public to subscribe for shares.
- It need not hold statutory meeting and it need not the statutory report.
- It can commence it's business as soon as it is incorporated.
- It need not have the trading certificate to commence its business.
- Any person can be the director of the company and no age limit.
- In the name of the word private must be mentioned.
- Minimum number of directors is one and no maximum limit.
- Admission of a new share holder should be done upon the agreement of the existing share holders.

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Characteristics of public limited company

- Members minimum 7 and maximum unlimited.
- Minimum number of directors is 2.
- It must obtain the trading certificate to commence its business.
- It can offer shares to the public to collect capital.
- It must receive the minimum subscription to get the trading certificate.
- Only qualified persons can act as secretary of the company.
- Any person who is 70 years of age cannot be a director of the company unless the members pass an ordinary resolution with special notice.
- It must hold statutory meeting and it must file the statutory report.

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Advantages of public limited company

- They are large and they can get the benefit of large scale production.
- PLC can raise large amounts of capital through share issues and borrowing.
- Shares can be bought and sold easily through stock exchange.
- Being large firms they can afford to employ many workers
- Continuity of existence.

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Characteristics of peoples companies

- The nominal value of a share shall not exceed Rs. 10.
- The shares of people's company cannot be held by private or public company except by another peoples company.
- The minimum number of members must be 50.
- The minimum share holding of any member shall be limited to 10% of the issued capital.
- Minimum 3 directors and each director must hold at least one share.
- The directors should be elected by the share holders at an AGM.
- The directors shall retire every year but they may re-elected at an AGM.
- A director of a peoples company cannot be a director of another peoples company.

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Off shore and Non resident companies

Off shore company- It is a company that is registered in Sri Lanka but doing it's business overseas and not in Sri Lanka.

A non resident company (A foreign company)- This is a company not resident in Sri Lanka therefore which is incorporated outside Sri Lanka.

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Advantages and disadvantages of foreign and offshore companies

Advantages	Disadvantages
Inflow of large amount of foreign exchange to the country	Exploitation of labour
Enhanced employment opportunities	Socio-cultural issues
Increased production	Sudden unemployment
Introduction of new technology to the country	
Expansion of foreign markets	
Carrying of the country's image to the greater highest.	
Development of infrastructure of the country	

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Registration procedure of a Limited Liability Company and documents for registration

- Decide on a name and seek the company registrar's approval.
- If the name approval is granted, documents for registration with the relevant fee has to be submitted to the register.
- Having accepted the documents get the certificate of incorporation.

Documents for registration

- Memorandum of Association
- Articles of Association
- Statement where the companies proposed office is located.
- Statutory declaration
- Statement for secretaries

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Memorandum of Association

This outlines a company's relationship with external parties.

- Name clause
- The registered office clause
- Objectives of a company
- Declaration that the member's liability is limited
- Capital clause

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Articles of Association

Articles of association content all the rules, regulations and matters on how to manage the internal activities of a company.

- Rights and duties of directors and secretaries
- Rights and duties of members
- Specifications relating to share capital
- How to hold meeting
- Appointment and removal of directors
- Terms and conditions of using company seal
- Conditions on dividends and reserves
- Conditions and terms on accounting and auditing
- Matters in relation to company lawyers



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Certificate of incorporation

This is the certificate issued by the company registrar, after submitting the necessary documents, stating that the particular company is duly registered under the companies act of Sri Lanka.

Effects of incorporation:

- Legal personality
- Limited Liability of members
- Going concern
- Company's name will be entered in the company register
- Can acquire fixed assets and recruit employees
- Can open bank accounts
- Can issue shares to raise capital

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Prospectus

A prospectus is issued by a public limited company to invite the public to buy its shares or debentures.

Contents of a Prospectus

- Objective of the company
- The names, descriptions and addresses of the directors
- Particulars about the minimum subscription
- Time of opening and closing of the subscription lists
- The amount payable on application and allotment of each share
- The amount or estimated amount of preliminary expenses
- The names and addresses of auditors

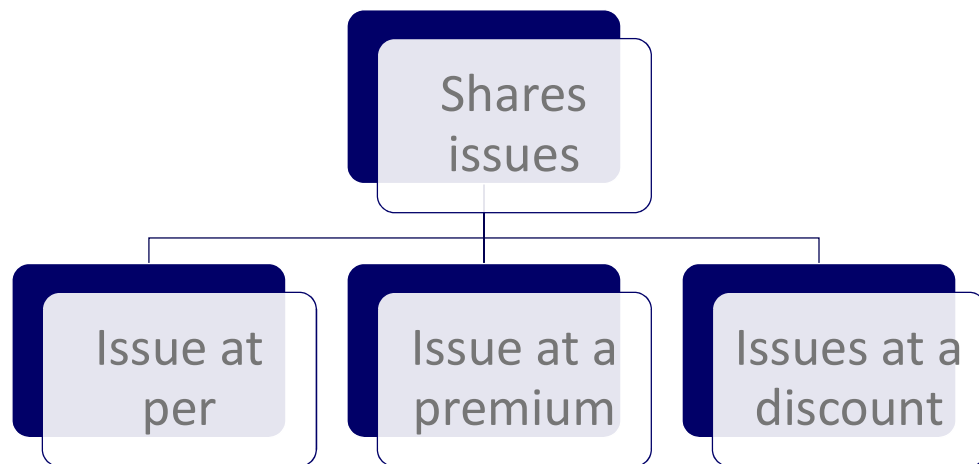
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Types of Capital

- Nominal or Authorized capital
- Issued capital
- Subscribed capital
- Called up capital
- Paid up capital
- Reserve capital
- Capital reserves
- Debenture capital
- Equity capital

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Issuing of shares



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Meetings of limited liability companies

1. Statutory meetings
2. Annual general meetings
3. Extraordinary general meeting



Types of resolutions in limited liability companies

- Ordinary Resolutions
- Special Resolutions
- Extraordinary Resolutions

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Types of shares

1. Deferred shares
2. Preference shares
 - Cumulative preference shares
 - Non cumulative preference shares
 - Participating preference shares
 - Redeemable preference shares
 - Non voting ordinary shares

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Multinational companies

- It is a public company whose parent company is incorporated in other country and carries out business internationally in large scale .



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Franchise

A franchise is defined as an owner of an intelligent asset allows another person to use such asset in his business under an agreement.

Advantages	Disadvantages
Personal ownership	High start up cost
Management assistance	Profits has to be shared
Globally and nationally recognized name	Management regulations
Financial assistance	Restrictions on selling
Lower failure rate	Restrictions on operations such as purchase of inputs and recruitment of employees
Free business promotion	



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Cooperative Societies

A cooperative society is a democratically controlled independent organization. Further, it aims to achieve common needs of a group of individuals voluntarily gathered and enjoy a collective ownership.

- Democratic control
- Voluntary and open membership
- Collective ownership
- Common expectations and needs

Advantages	Disadvantages
Democratic control	Limited capital
Acting for the well being of members	Should adhere only to the stipulated cooperative policies
Government provides various incentives	
Shared economic benefits	

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Associations

Associations are organizations with the objective of social well-being. These associations are established especially in order to achieve well-being of the members, to accomplish a community service or a charitable activity.

Examples :-

Sports Clubs

Farmer's Associations



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State corporations

Businesses fully owned or the majority is owned by the government are known as state corporations. A state corporation is controlled by a Board of Directors appointed by the government. These businesses will be commenced under a general or special Act of the Parliament. These are also known as state corporations, commissions, authorities, boards and bureaus.

- Government ownership and control
- Objective of providing services in common
- Legal personality
- Can commence either under a special act or a general existing act
- Continued existence



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Advantages and disadvantages of state corporations

Advantages	Disadvantages
Appropriate for the provision for the essential services	Absence of independence in decision making
To reduce the monopoly effects of private sector	Need to adhere to financial regulations of the government
Profits owned by the public	

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Departments

The state departments are institutions that will be directly and fully governed by the government under a ministry. Departments are operated in order to provide various services to the general public.

- **Ownership and control vested with the government**
- **Funded by the government**
- **Continued existence**



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Advantages and disadvantages of departments

Advantages	Disadvantages
The departments provide essential services to the public that will not be otherwise provided by the private sector.	The decision making will be delayed due to the approval required from the Parliament and the respective ministry.
The departments will handle long term development activities which require larger amount of funds.	The departments have to conduct activities in accordance with the provisions in government Financial Regulations, Establishment Code and different circulars.
A large number of employees are working in departments providing more employment opportunities.	
The departments provide services for the well being of the general public without a profit motive	

Past papers



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2024 January

Sunil and **Nimal** live in Olugama. It is an area where mango plantation is done successfully. **Sunil** and **Nimal** thought of starting a mango business. Accordingly, they buy mangoes from Olugama and transport those to Colombo for wholesale trade. They are planning to operate this business in the name of **S & N Enterprises** as a partnership.

You are required to:

- (a) **Explain** four(04) characteristics of a partnership. (04 marks)
- (b) **State** three(03) disadvantages of a partnership. (03 marks)
- (c) **State** three(03) duties of a partner. (03 marks)

(Total 10 marks)

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2024 January

- Which one of the following is a disadvantage of a sole proprietorship?
(1) Easy to start. (2) Quick decision making.
(3) Unlimited liability (4) Minimum laws and regulations.
- Which one of the following is **not** a main element of an organization?
(1) A group of people. (2) Having a common purpose.
(3) A structure. (4) Having a written agreement.
- Registration is required for a joint venture (True/False)

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July 2023

- Select from the following, an advantage of a partnership comparing with a sole proprietorship:
(1) Unlimited Liability. (2) No Legal Personality.
(3) Distribution of Risk. (4) Quick Decision Making.
- State the difference between “a formal Organization” and “an Informal Organization”.

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January 2023

- Which one of the following is not an example for a formal organization?

(1) Ministry of Education. (2) Google PLC.
(3) Facebook chat group. (4) University of Colombo.

- Which one of the following group consists only of human needs?

(1) Shelter, Food and Clothes. (2) Bread, Food and Safety.
(3) Bread, Houses and Shirts. (4) Shelter, Shirts and Electricity.

- Which one of the following is a characteristic of a formal business?

(1) It has a continuous process. (2) There is no uncertainty.
(3) It does not have an economic activity. (4) It is not motivated by profit.

- State the difference between Vision and Mission of an organization.

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January 2023

Ann is following a Business Studies course in a private educational institute. As part of the curriculum, she was required to make a presentation on the Companies Act of Sri Lanka and its applicability to businesses in Sri Lanka. Ann seeks your help to find answers for the following questions:

You are required to:

- (a) Identify three(03) information contained in the Certificate of Incorporation. (03 marks)
- (b) State four(04) benefits of a public limited company to the economy of a country. (04 marks)
- (c) Explain how to use the name of a company as per the Companies Act of Sri Lanka. (03 marks)

(Total 10 marks)

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July 2022

- The document by which an invitation is issued to the public to buy shares or debentures of the company is called as a:
(1) Shares Certificate. (2) Prospectus.
(3) Share warrant. (4) Incorporation Certificate.
- A partner who contributes to capital of the partnership but does not participate in management affairs is known as:
(1) Limited Partner. (2) Active Partner.
(3) General Partner. (4) Nominal Partner.
- Which one of the following is not included in the M7 classification of business resources?
(1) Men. (2) Methods. (3) Minutes. (4) Memory.
- Organizations are having unlimited resources to achieve their objectives. (Yes/ No)

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July 2022

Chinthaka and Kithmina are Architects by profession. They are interested in opening a shop of ornamental items with contribution of equal capital. Though Chinthaka is concerned about registering their business as a private limited company, Kithmina doesn't like it.

You are required to:

- (a) State a possible type of business organization, which Chinthaka and Kithmina can consider in starting their business other than a private limited company. (02 marks)
- (b) Explain three(03) features of the business organization stated in (a) above. (06 marks)
- (c) State two(02) disadvantages of the business organization stated in (a) above. (02 marks)

(Total 10 marks)

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January 2022

Which one of the following is an advantage of a Private Limited Company when compared with a Sole Proprietorship?

- (1) Unlimited liability. (2) Quick decision making.
(3) No going concern. (4) Attracting more capital.

The maximum number of shareholders of a private limited company is:

- (1) 2. (2) 20. (3) 40. (4) 50.

State two(02) examples for needs.

State two(02) features of a joint venture.

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January 2022

“Guruthala” is a supermarket chain owned by Amila. Currently it has 12 outlets in the suburbs of Colombo. With the objective of expanding of “Guruthala” in other areas of the country, Amila wants to raise more capital and he is planning to list the business in the Colombo Stock Exchange within next 5 years.

You are required to:

- (a) (i) Identify the type of business organization that “Guruthala” belongs to now. (01 mark)
(ii) State three(03) characteristics of that type of a business organization. (03 marks)

- (b) Explain three(03) features of a Public Limited Company. (06 marks)

(Total 10 marks)

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July 2021

- Which one of the following is an example for a want?
(1) Food. (2) Job security. (3) Shelter. (4) Clothing.
- Which one of the following is not a feature of a Joint Venture?
(1) Registration is compulsory. (2) Participation of two or more parties.
(3) It is created for a short term purpose. (4) There is no going concern.
- The special advantage of a partnership business when compared with a sole proprietorship business is:
(1) Compulsory accounting. (2) Quick decision making.
(3) Unlimited liability. (4) Distribution of risk.

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July 2021

- A formal organization can be defined as a group of people which is created as a result of the social functioning of individuals.
- The Articles of Association is the main document that specifies the regulations for a company's operations.
- State two(02) different types of companies that can be incorporated under the Companies Act No. 07 of 2007.

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July 2021

COCO is a Private Limited Company incorporated in 2003. COCO exports 'dried coconuts' to European market. At present, COCO maintains factories in four locations in Sri Lanka, employing 200 people. The Head office of COCO is located in Colombo. All operations of head office and factories are connected through an Enterprise Resource Planning (ERP) system.

You are required to:

- (a) State four(04) features of a Private Limited Company. (04 marks)
- (b) State three(03) advantages of incorporating COCO as a Private Limited Company.(03 marks)
- (c) State three(03) advantages of using Information and Communication Technologies (ICT) in COCO as an export oriented company. (03 marks)

(Total 10 marks)

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January 2021

- Which one of the following, is an example for an informal organization?
(1) Marketing Department. (2) Facebook chat group.
(3) Central Bank of Sri Lanka. (4) Ministry of Health.
- Which one of the following is not a characteristic of a formal business?
(1) Being an economic activity. (2) Involves a continuous process.
(3) There are no risk and uncertainty. (4) It is motivated by profit.
- Which one of the following is the basis for classification of business organizations into private and public organizations?
(1) Nature of Production. (2) Objective.
(3) Size. (4) Ownership.

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January 2021

- Consider the following statements regarding services:
 - (a) Services are intangible.
 - (b) Services can be stored and used later.
 - (c) It uses more labour to produce services.
 - (d) Production and consumption of a service occur simultaneously.

Of the above, the correct statements are:

- (1) (a) and (b) only. (2) (c) and (d) only.
- (3) (a), (b) and (c) only. (4) (a), (c) and (d) only.

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January 2021

- Which one of the following is not a feature of a Joint Venture?
 - (1) Participation of two or more parties.
 - (2) Involves a long term project for a long term purpose.
 - (3) Registration is not required.
 - (4) There is no separate legal personality.
- Job security is an example for a want.
- Maximum number of shareholders of a Public Limited Company is 50.
- State two(02) basic features of a partnership.

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